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Tire industry awaits proposed Trump tariffs

SHANE HOOVER

Wikipedia photo by Gage Skidmore

Donald Trump at a rally in Surprise, Ariz., in August.

AKRON — Tire makers, dealers, importers and consumers are waiting to see if incoming President Donald J. Trump makes good on threats to increase tariffs on imported goods.

If Trump does, look for tire businesses and consumers to pay higher prices, especially in the short term.

"As almost 70% of the passenger and light truck tires sold in the U.S. are imported, any substantial increase in tariffs will likely cause inflationary pricing to absorb the costs implemented by the government," Brandon Stotsenburg, vice president, automotive, for **American Kenda Rubber Industrial Co. Ltd.,** said.

Tariff threats

Trump takes office Jan. 20 and has proposed various tariffs, often in social media posts.

Before the election, he talked about blanket tariffs of up to 20% on all imports, and of 60% or more on goods from China.

In late November, he threatened Canada and Mexico — which account for 15% to 20% of car and light truck tire imports into the U.S. —with 25% tariffs, and an extra 10% tariff on China, if those countries don't help the U.S. crack down on illegal immigration and drug smuggling.

The same month, Trump said he would hit BRICS countries with 100% tariffs if they adopted a new currency to challenge the U.S. dollar. The BRICS countries at the time were Brazil, Russia, India, China, South Africa, Egypt, Ethiopia, Iran and the United Arab Emirates. Indonesia joined the economic bloc Jan. 6.

On social media Dec. 20, Trump took aim at the European Union:

"I told the European Union that they must make up their tremendous deficit with the United States by the large scale purchase of our oil and gas. Otherwise, it is TARIFFS all the way!!!"

Whether Trump's statements indicate real tariff plans or are a negotiation tactic is unclear, and the lack of specifics makes it hard to know the extent to which tariffs might impact the tire industry.

Who pays?

The president-elect has said tariffs will create U.S. factory jobs, shrink the federal deficit and bring other economic benefits. He also has said the cost will be borne by exporting nations.

But U.S. businesses and consumers should expect to pay higher prices if tariffs increase, economic observers said.

Charles Klein, OEC Group Station Manager in Detroit, helps businesses handle imports and has been advising clients of potential cost increases due to tariffs.

Importers pay the cost of a tariff, Klein said. If the tariff is on a high-margin product, the importer might absorb the cost, but typically when a business spends more to purchase a good, it increases the price for its customers.

The rush to import goods before a tariff takes effect also can drive up shipping rates, and the ultimate cost of an item, he said.

North American trade

The Auto Care Association (ACA), which represents companies in the automotive aftermarket supply chain, said the U.S. imported $138.9 billion in auto parts in 2023, with 47% coming from Mexico and 12% from Canada.

The ACA warns that U.S. consumers, already battling inflation, will pay the price of tariffs, and businesses will have more money tied up in imported goods.

"For small and medium-sized businesses, this could result in cash flow challenges, delayed payments, reduced capacity and inventory, causing businesses to scale back the operations," the ACA said.

Tariffs on goods from Mexico and Canada could have particularly large consequences, those contacted for this story said.

Under the U.S.-Mexico-Canada trade agreement negotiated by Trump during his first presidency, most goods move between and among the three countries without tariffs.

In fact, some goods include components that cross the border multiple times before reaching a consumer, according to the ACA.

Through the third quarter of 2024, the U.S. imported 57.6 million tires worth nearly $4.05 billion, according to U.S. Census Bureau data. Canada and Mexico accounted for 18% of those tires and a quarter of the value.

Both countries were ranked among the top five exporters of both passenger and light truck tires to the U.S., and Canada is the number three exporter of medium truck and bus tires.

And three tire makers — Yokohama Rubber Co. Ltd., Sailun Group and Zhongce Rubber Group Co. Ltd. (ZC Rubber) — broke ground last year on new factories in Mexico to supply the North American market.

Tariffs of 25% on America's largest trading partners could dramatically raise prices for U.S. consumers and U.S. businesses, the ACA said.

Past tire tariffs

A study of tire tariffs under President Barack Obama shows their potential cost and unintended consequences.

In September 2009, the U.S. placed a 35% tariff on new passenger and light truck tires from China, in addition to the existing 4% rate. The tariff decreased to 30% in 2010 and 25% in 2011.

The U.S. government wanted to boost domestic tire manufacturing.

An analysis in 2020 by the federal Bureau of Labor Statistics (BLS) concluded the tariff saved some 1,200 tire manufacturing jobs in the U.S, but at a cost of $1.1 billion to domestic consumers in the form of higher prices.

While tire imports from China fell to 5.6 million in the fourth quarter of 2009 from 13 million in the third quarter, total tire imports to the U.S. rose, and manufacturers in Asia and Mexico increased their market share, according to the BLS.

Navigating tariffs

Adapting to tariffs in the U.S., as well as Europe, Canada and other countries, is part of doing business for companies such as Kenda.

The Taiwan-based tire maker has three U.S. wheel plants, but imports all the tires it sells in the U.S. That's millions of tires for bicycles, dirt bikes, lawnmowers, golf carts, trailers, cars and light trucks each year.

Due to existing U.S. tariffs on tires from China and Taiwan, Kenda imports tires for the U.S. market from its factory in Vietnam, Stotsenburg explained.

The impact of any new tariffs will depend on the countries and products affected, he said. If the tariffs aren't balanced across countries, manufacturers will try to source tires from countries subject to lower rates, if feasible, but "the likely outcome will be price increases as the supply chain and manufacturer margins in the industry do not have excessive profits to absorb additional costs," Stotsenburg said.

"If the intent is to encourage U.S. manufacturing to offset the tariffs, several product segments are not produced in the U.S. nor is there available production capacity to initiate new production," Stotsenburg said.

"Bicycle tires are an example of this, in addition to other segments. Establishing new production or increasing or modifying current production will take time and capital resources."

Wait and see

Stotsenburg said Kenda feels it can compete with fair and equal duty and tariff rates across manufacturing sources.

"Kenda, as many other manufacturers are also doing, has contacts within the government that we share our concerns," Stotsenburg said. "We are thoughtful about the potential impacts, but cannot be certain about actions based on limited details related to the new president's campaign communications."

The Tire Industry Association (TIA) hasn't taken a position on tariffs.

"TIA acknowledges the potential benefits and challenges associated with the proposed tariffs," Roy Littlefield IV, TIA's vice president of government affairs, said.

"On one hand, tariffs can be a valuable tool for addressing unfair trade practices and ensuring a level playing field. On the other hand, they may present short-term challenges for independent tire dealers, including increased costs for imported products and potential disruptions to the supply chain."

The U.S. Tire Manufacturers Association (USTMA) said the group couldn't speculate on specific tariff proposals, but acknowledged that trade policies, including tariffs, directly affect the U.S. tire industry, particularly the cost of raw materials that must be imported because they can't be sourced domestically.

The USTMA said it would keep working with federal and state policymakers on trade issues and remain "focused on advocating for fair trade practices that support domestic tire manufacturing and jobs."

Also, promoting the retreading industry and sustainable materials would reduce reliance on imports and make the supply chain more resilient, the association said.

Klein, the import specialist, said he doesn't expect the Trump Administration to impose tariffs on Day One. The government typically announces a tariff's effective date, the affected countries and products and the process to apply for exceptions.

Until those are known, Klein said, "it's very hard to plan for."